

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 545 - SB 1351

March 8, 2013

SUMMARY OF BILL: Requires a lump sum amount be paid from the Tennessee Consolidated Retirement System (TCRS) to a non-contributory member's beneficiary in an amount equal to the sum amount of contributions the member would have contributed had the member been a contributory member.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$611,200

Increase Federal Expenditures - \$203,800

Increase Local Expenditures – Exceeds \$20,000/Permissive

Assumptions:

- TCRS provides retirement benefits for retired state employees, retired teachers, and retired local government employees.
- According to TCRS, this bill only affects non-contributory state employees and local government employees who are non-contributory members.
- TCRS indicates this bill require annual payments from the system of approximately \$815,000 per year in order to make lump sum payments to beneficiaries of non-contributory state retirees.
- Retirement benefits for retired state employees are funded 75 percent with state funds and 25 percent with federal funds. The recurring increase in state expenditures is estimated to be \$611,250 ($\$815,000 \times 75\%$); the recurring increase in federal expenditures is estimated to be \$203,750 ($\$815,000 \times 25\%$).
- According to TCRS, the additional annual cost to local governments is estimated to be in excess of \$200,000 if all local government entities opt into the provisions established by the bill.
- Retirement benefits for local government employees are funded 100 percent by local government contributions.

- Ten percent of local governments elect to make contributions to the TCRS for the purpose making lump sum payments to beneficiaries of non-contributory local government employees. Therefore, the permissive increase in local government expenditures is estimated to exceed \$20,000 ($\$200,000 \times 10\%$) per year.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise".

Lucian D. Geise, Executive Director

/cce